

**Table 4 (Updated)**  
**Present Value of Current-Law Capital Consumption Allowances Per Dollar of Investment**  
**Compared to Expensing (First-Year Write-Off)**

Asset lives:		3 yrs	5 yrs	7 yrs	10 yrs	15 yrs	20 yrs	39 yrs
Present value of expensing of \$1.00 of investment outlay:		\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
With Bonus Depreciation: Present value of depreciating \$1.00 outlay if inflation rate is:	0%	\$0.984	\$0.971	\$0.958	\$0.941	\$0.900	\$0.873	\$0.551
	3%	\$0.971	\$0.948	\$0.927	\$0.898	\$0.836	\$0.799	\$0.369
	5%	\$0.963	\$0.934	\$0.908	\$0.874	\$0.803	\$0.763	\$0.297
No Bonus Depreciation: Present value of depreciating \$1.00 outlay if inflation rate is:	0%	\$0.968	\$0.941	\$0.916	\$0.881	\$0.800	\$0.745	\$0.551
	3%	\$0.942	\$0.895	\$0.853	\$0.796	\$0.672	\$0.597	\$0.369
	5%	\$0.925	\$0.867	\$0.816	\$0.747	\$0.606	\$0.525	\$0.297
Calculations assume a 3.5 percent real discount rate, 3-20 year assets placed in service in mid-year and half-year convention used, 39 year assets placed in service in June and mid-month convention used.								

**Table 5 (Updated)**  
**Multiple Taxation of Corporate Income**

	New Law		Pre-2001 Law	
	a) Dividend Payout	b) Retained Earnings	a) Dividend Payout	b) Retained Earnings
1) Corporate income	\$1.00	\$1.00	\$1.00	\$1.00
2) Corporate tax at top rate*	\$0.35	\$0.35	\$0.35	\$0.35
3) After-tax income: (a) paid as dividend; or (b) retained, raising stock price	\$0.65	\$0.65	\$0.65	\$0.65
4) Individual income tax: (a) on dividend at top rate; or (b) on after-tax retained earnings taken as a long-term capital gain*	\$0.0975	\$0.0975	\$0.2574	\$0.13
5) Total tax	\$0.4475	\$0.4475	\$0.6074	\$0.48
6) Total tax rate	44.75%	44.75%	60.74%	48%
7) Income left to shareholder	\$0.5525	\$0.5525	\$0.3926	\$0.52
* Under current law, the top tax rate on both dividends and capital gains is 15%. Under pre-2001 law, the top tax rate on dividends was 39.6% and the top rate on long-term capital gains was 20%. In the table, the top corporate rate excludes corporate surtaxes. The top individual rate excludes the effects of the phase-outs of itemized deductions and personal exemptions and the taxation of Social Security benefits. These surtaxes, phase-outs, and taxation of Social Security benefits may raise effective top tax rates higher than the statutory rates.				